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Electronic transfer of funds and data

May 24, 1990

DC-9013

TO STATE IV-D DIRECTORS

Dear Colleague:

We are writing to advise you of an innovative and exciting national initiative involving income withholding and electronic transfer of funds and data. When fully implemented, it will boost both States' and employers' efficiency in implementing immediate income withholding and should alleviate much of the anticipated workload. Use of electronic transfer of funds and data can provide a seamless flow of collections and information from employer to the IV-D agency and to the child support recipient.

Electronic funds transfer (EFT) and electronic data interchange (EDI) technologies are combined in this initiative to electronically transmit both payments and payment related data. Over the past decade, EFT has thrived in the financial world. EDI also has gained acceptance in virtually all industries as a means to transmit purchase orders, shipping information, invoices, and other business documents. Yet, while several State and local child support enforcement programs have experimented with forms of EFT, these tests have not resulted in widespread use of the technology. While the tests demonstrated that EFT is effective, efficiencies were not experienced since payment transfers were separate and apart from the payment related data. That is, the EDI technology, was not used to electronically provide the payment related data simultaneously. Separating the EFT and EDI technologies resulted in redundant processing of collection information.

Clearly, a successful EFT/EDI project will involve employers and financial institutions as well as child support enforcement agencies. In addition, EFT/EDI will affect all States' automated and accounting systems. A work group was formed representing these various actors to develop a standard format for transferring both income withholding payments and the related data. This standardization is essential to avoid incompatible payment and data formats which could result from negotiations among State and local IV-D agencies and employers.

We are pursuing this initiative in cooperation with the National Automated Clearing House Association (NACHA) which sets rules and administers the Automated Clearing House Network. In 1989, the Office of Child Support Enforcement began working closely with NACHA to develop a Child Support Convention, a set of procedures with a selected format to be used by employers to electronically transfer income withholding payments and standardized data elements which will contain case related information about the withholding.

Page 2 - IV-D Directors

The enclosed EFT/EDI Work Group Report provides you background on the work completed so far along with information on EFT/EDI as an emerging technology with many potential and beneficial applications in the child support enforcement arena. As you are reviewing the Report, you will note that the EFT/EDI Work Group has proposed data elements which will contain the data about the payment transactions. This is where we ask for your help.

Exhibit J

The data elements must be used nationwide to identify the appropriate child support case records and to distribute payments accurately; regardless of the child support enforcement agency's organizational structure, case record numbering system; or level of automation. **Therefore, we are asking you to review the data elements on page 6 and to provide us with your comments and suggestions.**

The Report also raises unresolved issues on page 7. Please help us by studying those as well and providing us with comments and /or suggestions. The EFT/EDI Work Group will reconvene in mid-June to review your comments. Therefore, we would like to have them no later than June 15, 1990. Because of many courts' roles as collections points, we urge you to send a copy of this document to your State's court administrative office and include their comments with yours.

The contact person is Yvette Hilderson Riddick at (202) 252-5427 or Program Support Branch, Program Operations Division, OCSE, 370 L'Enfant Promenade, S.W., Washington, D.C. 20447. Thank you for your assistance in this very important initiative.

Sincerely,

Jo Anne B. Barnhart

Director

Office of Child Support

Enforcement

Enclosure

cc: Regional Representatives

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Electronic Funds Transfer/Electronic Data Interchange

DC-93-28

June 15, 1993

TO ALL STATE IV-D DIRECTORS

Dear Colleague:

The purpose of this letter is to bring you up to date on the Electronic Funds Transfer/Electronic Data Interchange (EFT/EDI) project and to solicit your cooperation in moving towards nationwide implementation.

As you know, income withholding has become the most effective method of ensuring compliance with child support obligations. Because of the massive amounts of monies and data which are currently exchanged between Child Support Enforcement (CSE) agencies and employers and the likelihood of continuing growth, we have been exploring a variety of ways to streamline and simplify the process.

One of the most important of these streamlining efforts has been the EFT/EDI Pilot Project. The findings from that project and the final evaluation report are presented as enclosures one and two to this letter. The most important finding was that EFT/EDI could be cost-effective for both employers - if they could use it in making all of their deposits - and CSE agencies - if the majority of collections were transmitted using it.

In response to the findings of the evaluation, we have begun "marketing" activities which will lead toward nationwide EFT/EDI implementation and the realization of its potential for cost-effectiveness. Two of the largest payroll processors in the Country are in the process of developing a Child Support "module" which will be soon offered - one sometime in early 1994. We are planning on sending letters to other payroll processors and payroll software vendors to encourage their development of a CSE component. We've also made contact with the Department of Treasury's Financial Management Service. They will be talking with Federal agencies to encourage their use of EFT/EDI for employees currently having support orders. Plans are to contact other associations and agencies at the National level - such as the American Banker's Association - to secure further support. In addition, we have finalized the CSE Convention - the EDI portion of the EFT/EDI transmittal - which will allow you to associate the collection with the appropriate court order. Enclosure three is the CSE Addendum Convention.

Page 2 - Dear Colleague

We clearly need to have you join us in this endeavor as soon as

possible. **We recognize that many of you will not have the**

capability to accept a tape or another type of electronic media

containing EDI information until your automated system is in

place. In the meantime, however, your bank could supply you with

a hard copy print-out of the CSE Convention information. In either circumstance, we encourage you to talk directly with your financial institution to develop a suitable information transmittal procedure. By accommodating the employers who wish to use EFT/EDI to transmit wage withholdings, you can ensure an earlier deposit of collections. In addition, the EDI information (CSE Convention) which you receive from your bank, regardless of format, will be standardized and easily readable.

The appendices to the final evaluation report contain the marketing documents used by Iowa and Nebraska to enlist employers in the project. We would be happy to provide you with whatever assistance is necessary to personalize these documents for your State.

We are excited to be moving ahead in this area. We believe that it has tremendous potential to become a highly successful public/private sector endeavor. Please contact either Linda Deimeke on (202) 401-5439 or Carole Maloney on (202) 401-6495 to designate a contact person within your agency to work with us on this project.

Thanking you in advance for your cooperation.

Sincerely,

Naomi B. Marr Robert C. Harris

Director Acting Deputy Director

Office of Information Office of Child Support

Systems Enforcement

Enclosures

Enclosure 1

Wage Withholding and EFT/EDI

Through a grant project, the States of Iowa and Nebraska explored various means of using Electronic Funds Transfer (EFT) technology in the collection of child support obligations. Of the technologies considered, employers' use of EFT/EDI in transmitting wage withholdings seemed the most potentially effective. Employers would bundle wage withholdings with other EFT activities, such as direct deposit of employee wages, and transmit this information electronically using the Automated Clearing House (ACH).

During 1991, OCSE participated in a work group with the National Automated Clearing House Association (NACHA), States, bankers, payroll associations, and other government agencies to develop a standardized set of information - the "CSE Convention" - which would accompany the movement of funds using EFT. The "CSE Convention" was the EDI portion of the ACH tape which identified a wage withholding to a specific case. You may recall that in developing the convention, we sent mailings to all State CSE agencies, informing you of the proposed project and soliciting comments on the convention.

The final report on the Iowa and Nebraska Pilot Projects has been completed. While a copy was sent to your office last year, an additional copy has been included as an enclosure to this letter. The evaluation found that, although the number of employers that participated was limited, the EFT/EDI project procedures - including the CSE Convention - worked. While it appeared that EFT/EDI could be cost-effective for both employers and CSE agencies, this could only be accomplished if certain conditions were met. Those conditions were:

Employers must be able to use EFT/EDI in making all of their deposits of wage withholdings. While using direct deposit is generally accepted as less expensive than paper checks, the necessity of maintaining two disbursement systems would offset any cost advantages presented by EFT/EDI.

A national standard for the EDI portion of the transmittal needs to be established to allow employers to use the same process in transmitting payments to multiple jurisdictions.

For savings to accrue to CSE agencies through a reduction in the number of data input clerks, a significant percentage of collections would have to be transmitted using EFT/EDI.

CSE ADDENDUM CONVENTION

I. Purpose

The Child Support Enforcement (CSE) Addendum Convention has been developed to allow employers to transmit child support wage withholdings to CSE receipting agencies using Electronic Funds Transfer/Electronic Data Interchange (EFT/EDI) technology. The CSE Addendum Convention allows the employer to identify the wage withholding to the appropriate CSE account. The CSE agency will provide the employer with the agency's nine-digit bank code and the information needed to complete the CSE addendum once an employer indicates a desire to use EFT/EDI technology to transmit wage withholdings.

II. Background

Income withholding has become the primary means for the collection of child support payments. In 1992, over 50 percent of all collections resulted from income withholding. Under current law, with few exceptions, all child support orders must contain a provision for the immediate withholding of wages.

Recognizing that there was a need to streamline the wage withholding process, the Office of Child Support Enforcement (OCSE), in cooperation with the National Automated Clearing House Association (NACHA), began work to develop procedures and a format to electronically transmit child support payments. Beginning in March 1990, a workgroup composed of representatives from OCSE, NACHA, the Banker's EDI Council, the American Payroll Association (APA), other government agencies and private industry, was called together.

By June 1990, the workgroup had developed a proposed addendum standard. Comments were solicited from both State agencies and industry, and a revised standard was developed for pilot testing. By March 1991, the workgroup and Banker's EDI Council approved the "revised" standard and approved the start of a pilot project in both Nebraska and Iowa. The pilot project was successfully completed in June 1992, and the CSE Convention received the final approval of the Banker's EDI Council in December 1992.

III. The Process

When the CSE agency is ready to accept electronic wage withholdings, all employers will be asked whether they are interested in using EFT/EDI procedures. If an employer responds positively, the CSE agency will provide information on its nine-digit bank routing code and the appropriate information to be included in the CSE Addendum Convention for each order.

Employers may find it necessary to make changes to their payroll systems to set up a new payroll deduction containing the Automated Clearing House (ACH) file information. The CSE agency's bank account and other information for each employee with a wage withholding order would be loaded into the system. The screen design for child support wage withholding should be similar to the direct deposit input screens on most payroll systems. Very simple systems changes, if necessary, may be required to send an additional batch behind the payroll ACH file, to provide for the storage and transmission of the necessary files. The ACH file will generally be in CCD+ format, unless the CSE agency's bank is capable of accepting CTX information. (Information on the latter will be included in the information provided to the employer regarding the CSE agency's nine-digit

bank routing code.)

The employer's bank (the Originating Financial Institution) will verify the ACH tape and place it into the Federal Reserve system for transmittal to the CSE agency's bank - the Receiving Financial Institution (RFI). The RFI will deposit the funds into the CSE agency's account, and pass the CSE Addendum information on to the CSE agency. Upon receipt of the information, the CSE agency will credit the appropriate employee's account. The agency will then pass the funds along to the custodial parent, either creating a check or transmitting the payment electronically using direct deposit.

IV. NACHA Record Formats

The following is an example of an ACH file for both payroll and child support wage withholdings in the CCD+ file format. Note that the file format is identical to the current direct deposit format, with the addition of a second Company/Batch Header Record using CCD rather than PPD in the standard entry class code. (PPD is the consumer code which requires financial institutions to post the transaction to their customer statements, CCD is the industry code which notifies the system of the presence of an addenda record.)

File Header Record

Company/Batch Header Record (PPD appears in positions 51-53 of standard entry class code for Payroll Direct Deposit)

Entry Detail Record (1+ per employee) Entry Detail Record

Entry Detail Record

Company/Batch Control Record

Company/Batch Header Record (CCD appears in positions 51-53 of standard entry class code for Payroll Direct Deposit)

Entry Detail Record

Addenda Record (Carries an 80 character Payment Related Information Field)

Entry Detail Record

Addenda Record

Company/Batch Control Record

File Control Record

The following pages contain NACHA formats explaining and specifying how fields are to be utilized in conjunction with the CSE Addendum Convention.

Three pages of charts are omitted as they are not in WordPerfect format.

V. Child Support Addendum Convention

Field Name Field Data Min/Max Contents

(Data Elements Require- Element Use

and Separators) ments Type

Segment Identifier DED

Separator *

Application M ID 2/2 CS

Identifier

Separator *

Case Identifier M AN 1/20 XXXXXXXXXXXX

Separator *

Pay Date M DT 6/6 YYMMDD

Separator *

Payment Amount M N2 1/10 \$\$\$\$\$\$CC

Separator *

Absent Parent SSN M AN 9/9 XXXXXXXXXXXX

Separator *

Medical Support M AN 1/1 X

Indicator

Separator *

Absent Parent 0 AN 1/10 XXXXXXXXXXXX

Name

Separator *

FIPS Code 0 AN 5/7 XXXXXXXX

Separator *

Employment 0 AN 1/1 X

Termination

Indicator

Segment Terminator \

VI. CSE Addendum Definitions

Absent Parent SSN The "Absent Parent SSN" data element provides the child support receiving agency with the obligor's Social Security Number.

Absent Parent Name The "Absent Parent Name" data element contains the first seven letters of the obligor's last name followed by the first three letters of the obligor's first name. If the last name is less than seven characters, a comma must be used to separate the last name from the first name.

AN The string type data element is symbolized by "AN." Contents of string data elements are a sequence of letter, digits, spaces and/or special character. The contents must be left-justified. Trailing spaces should be omitted unless they are necessary to satisfy a minimum length requirement.

Application Identifier The "Application Identifier" indicates the type of deduction being withheld from an employee's pay. The identifier consists of two uppercase letters, "CS" for child support.

Case Identifier The "Case Identifier" data element is the identifying IV-D number. It can be either the case number or court order number, as determined appropriate by the child support receiving agency.

DT The "Date Type" data element is symbolized by "DT." The format for the date is YYMMDD. YY is the last two digits of the year (00-99), MM is the numeric value of the month (1-12), and DD is the numeric value of the day (1-31).

Data Element Type The "Data Element Type" identifies the type of information contained in the data element field, i.e., "AN," "ID," "DT," or "N2."

Employment Termination Indicator The "Employment Termination Indicator" is an optional field used to notify the child support enforcement agency that the absent parent's employment has terminated. A "Y" is placed in this field if the employee has terminated; otherwise the field is not used. The Payment Amount field may contain zero when this field is used.

Field Requirement The "Field Requirement" character indicates whether completion of the field is mandatory (M) or optional (O).

FIPS Code The "FIPS (Federal Information Process Standard) Code" is 5 characters when indicating both State and County codes. It is 7 characters when indicating State, County, and Local codes.

ID The "Identifier Type" data element is symbolized by "ID." An identifier data element must always contain a value from a

predefined list of values.

Mandatory (M) When the field requirement is designated "M," it must be completed in the convention.

Medical Support Indicator The "Medical Support Indicator" designates whether the absent parent has family medical insurance coverage available through the employer. If medical insurance coverage is available, a "Y" is placed in the field; if there is no coverage available, an "N" is placed in the field.

Min/Max Use The "Min/Max Use" of a field specifies the minimum and maximum length of a particular field. For example, 1/6 indicates that this data element must contain at least one character, but not more than 6.

N2 A numeric type of data element field is represented by the two-position designation "N2." "N" indicates numeric and "2" indicates the number of decimal places to the right of a fixed, implied decimal point. The decimal point is not transmitted. This number will always be positive for the child support application banking convention. In this convention, all amount fields are defined as "N2." Thus, \$550.00 would look as follows

55000

Optional (0) When the field requirement is designated "0," its completion is either at the option of the sending party (originator) or is based on the mutual agreement of the originator and receiver.

Payment Amount The "Payment Amount" data element indicates the absent parent's withholding amount which is being transmitted to the child support receiving agency for this pay period.

Pay Date The "Pay Date" data element provides the absent parent's pay date; i.e., the date the income was withheld from the employee's pay.

Segment Identifier The "Segment Identifier" indicates as the name of the segment. The identifier occupies the first character positions of the segment and consists of three uppercase letters, "DED."

Segment Terminator Each addenda record ends with a "Segment Terminator" indicated by "\". The terminator denotes the end of the record.

Separator The "Separator" is used to separate fields (data elements) within an addenda record. The character to be used as a separator is the asterisk(*).